

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 AGR-20 SWF-02 L-03 H-03 SAB-01 DODE-00 PA-04

USIA-15 PRS-01 EA-11 NIC-01 EUR-25 DRC-01 /224 W

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P R 302022Z AUG 74

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC PRIORITY 1664

INFO AMEMBASSY SAN JOSE

AMEMBASSY QUITO

AMEMBASSY TEGUCIGALPA

AMEMBASSY BOGOTA

AMEMBASSY MANAGUA

AMEMBASSY GUATEMALA

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E.O. 11652: N/A

TAGS: ETRD,PN, CH,KN, YO, CU

SUBJECT: BANANA TAX DISPUTE

REF PANAMA 5045

1. MINISTER OF COMMERCE AND INDUSTRY MANFREDO ADOPTED A SOME-WHAT MORE CONCILIATORY TONE CONCERNING DISPUTE WITH UNITED BRANDS (UB) IN REMARKS TO REPORTERS THURSDAY AFTERNOON (AUGUST 29). MANFREDO STATED THAT HE HAD MET WITH UB VICE PRESIDENT TAYLOR DURING EVENING OF AUGUST 28 (TAYLOR AND UB LOCAL MANAGER HEYL DEPARTED FOR THE US EARLY AUGUST 29) AND GAVE HIM SOME "REFINEMENTS" OF GOP'S PREVIOUS STATEMENTS IN RESPONSE TO TAYLOR'S REQUEST FOR GOVERNMENT'S CURRENT POSITION. MANFREDO IS QUOTED AS HAVING TOLD TAYLOR THAT GOP REALIZES THAT BANANA

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INDUSTRY IS BUSINESS PROPOSITION AND THAT PANAMA WILL

STUDY AND COMPANY PROPOSAL ON ITS MERITS. HE ADDED THAT WHILE PANAMA WILL NOT BE INFLEXIBLE ON QUESTION OF BANANA EXPORT TAX, IT WILL NOT DISCUSS SUBJECT UNTIL OPERATIONS "NORMALIZED." I.E. EXPORTS RESUMED, WAGES OF UNEMPLOYED WORKERS PAID, AND INDEPENDENT PRODUCERS AND SUPPLIERS INDEMNIFIED FOR LOSSES RESULTING FROM CESSATION OF SHIPMENTS. IN DEPARTURE FROM PREVIOUS LIST OF PREREQUISITES FOR FURTHER NEGOTIATIONS, HOWEVER, MANFREDO INDICATED THAT QUESTION OF PAYMENTS OF NATIONAL RAILWAY AND TAX AUTHORITIES FOR REVENUE LOST DURING PERIOD OF SUSPENSION OF EXPORTS IN SUBJECT TO "MUTUALLY AGREED TERMS."

2 LOCAL PRESS ALSO APPEARS TO BE SLACKENING SOMEWHAT ITS CAMPAIGN WHICH HAD SUSTAINED "BANANA WAR" ATMOSPHERE. PRESS CONTINUES GIVE PROMINENT COVERAGE, HOWEVER, TO OFFERS FROM THIRD WORLD OR COMMUNIST BLOC TO BUY PANAMANIAN BANANAS AS GESTURE OF SOLIDARITY WITH GOP IN THE BATTLE AGAINST UB, MOST RECENTLY FROM PEOPLE'S REPUBLIC OF CHINA AND NORTH KOREA. RED CHINESE OFFER TO MAKE INITIAL PURCHASE OF 10,000 TONS WAS REPORTEDLY MADE THROUGH THAT COUNTRY'S AMBASSADOR TO YUGOSLAVIA. HEAD OF NORTH KOREAN DELEGATION PRESENTLY IN PANAMA FOR DISCUSSIONS ON POSSIBLE RELATIONS BETWEEN TWO COUNTRIES WAS ALSO REPORTED BY PRESS TO HAVE OFFERED SUPPORT IN FORM OF BANANA PURCHASES. MANFREDO EARLIER ANNOUNCED A YUGOSLAV OFFER TO BUY THREE MILLION BOXES OF BANANAS AND ITS DESIRE TO DO SO DIRECTLY FROM GOP RATHER THAN FROM UB. PRESS REPORTS OF PANAMANIAN RESUMPTION OF DIPLOMATIC RELATIONS WITH CUBA ALSO INCLUDED CUBAN PLEDGES OF SOLIDARITY WITH REGARD TO "BANANA WAR."

3. COMMENT: MANFREDO'S REMARKS ARE WELCOME SIGN OF SOFTENING OF PUBLIC POSITION REGARDING COMPANY, IF ONLY SLIGHT. GOP CAN BE EXPECTED TO MAINTAIN PRESSURE ON UB WITH EMPHASIS ON POSSIBLE EXISTENCE OF ALTERNATIVE MARKETS FOR BANANAS OTHER THAN THROUGH COMPANY CHANNELS.
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